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United Nations Industrial Development Organization

Industrial Development Board

Tenth session

SUMMARY RECORD OF THE 1st MEETING

Held at the Vienna International Centre, Vienna,
on Monday, 2 November 1992, at 10 a.m.

Acting President: Ms. MACHADO QUINTELLA (Brazil)
President: Mr. BALAZS (Hungary)

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The meeting was called to order at 10.30 a.m.

OPENING OF THE TENTH SESSION - ELECTION OF THE PRESIDENT

1. The ACTING PRESIDENT declared open the tenth session of the Industrial Development Board.

2. She reminded members of the Board that, in accordance with rule 24 of the rules of procedure, the Bureau had designated her to serve as Acting President when Mr. Cserveny (Hungary) had vacated the office of President. She asked the chairman of the group of States from List D to convey to Mr. Cserveny the Board's sincere thanks for his excellent leadership as President at the ninth session and his valuable work in the posts in which he had served the Board earlier. The States in Group D proposed that Mr. Cserveny should be succeeded by Mr. Balázs (Hungary). Unless she heard any objection, she would take it that the Board accepted that proposal.

3. Mr Balázs (Hungary) was elected President by acclamation.

4. The ACTING PRESIDENT, on behalf of the Board, congratulated the new President and wished him success in his work.

5. The President took the Chair.

6. The PRESIDENT thanked the Board for electing him. He also expressed his gratitude to the Acting President for her valuable contribution to the preparations for the present session. He looked forward to the assistance of the other members of the Bureau in taking further steps towards forging an efficient UNIDO which would serve the interests of its Members.

7. At its fourth session the General Conference had directed UNIDO to formulate an adequate response to the rapidly changing circumstances in which it had to operate. The 1990s would one day be seen as a decade in which the old ideologically-divided world had given way to one characterized by the efforts of a number of countries to secure the benefits of a democratic society and a market economy. That process was beset with difficulties. All countries had to make a concerted effort to prevent new economic tensions from widening the gap which already existed between the industrialized and the developing nations. In responding to the recent changes, UNIDO must not only find the best way of promoting the industrialization of the developing countries but also help to solve the difficult problems of transition from a centralized to a market economy.

8. The Board should aim at designing an organization that, by continuing processes begun in 1986, would become a specialized agency in the true sense - a well-organized, efficiently-run body possessing a structure based on a modern planning system which operated in accordance with clear guidance provided by its members. The Board's decisions on the priorities, objectives and role of UNIDO, its new organizational and staff structure and the action to be taken following the Director-General's resignation would have far-reaching effects on the Organization's future. UNIDO had to embark on a new stage of its existence, in which it would have to compete for resources by providing steadily improved services. He was confident that the Board was aware of the great responsibility it bore for the success of that work.

ADOPTION OF THE AGENDA FOR THE TENTH SESSION (IDB.10/1/Rev.1 and Add.1)

9. The PRESIDENT said that the provisional agenda adopted by the Board at its ninth session in decision IDB.9/Dec.19 (IDB.10/1/Rev.1) included a supplementary item proposed by one Member State in accordance with rule 12 of the Board's rules of procedure, "Actions to be taken by the Industrial Development Board following the resignation of the Director-General". Unless he heard any objection, he would take it that the Board approved that addition.

10. It was so agreed.

11. The PRESIDENT said that, in informal consultations, it had been proposed that the wording of item 1 as it appeared in document IDB.10/1/Rev.1 should be revised to reflect the election which had just taken place, and thus to read: "1. Opening of the tenth session - Election of the President". It had further been proposed that the wording of item 4 should be expanded to include, as sub-items (a) to (l), the 12 subjects listed under item 4 in the annotated provisional agenda (IDB.10/1/Rev.1/Add.1) as being of relevance to the work of the Board at its current session. He took it that the Board accepted those changes.

12. It was so agreed.

13. The provisional agenda in document IDB.10/1/Rev.1, as amended, was adopted.

STATEMENT BY THE DIRECTOR-GENERAL

14. Mr. SIAZON (Director-General) welcomed participants to the session and expressed his confidence that it would achieve success under the guidance of the President and the Bureau. He thanked the previous President for his skilful stewardship of the ninth session.

15. The Organization's achievements in the previous 18 months had been marked by notable gains. Technical cooperation delivery, although only $147.5 million in 1991 as compared with $159.6 million in 1990, had been 21 per cent higher for the biennium as a whole than for 1988-1989. The figure forecast for 1992 was between $135 million and $142 million. The lower volumes of delivery for 1991 and 1992 were traceable to factors beyond UNIDO's control: disruption from war and civil strife in many programme countries; a lower rate of project approvals, caused by serious delays in the implementation of the UNDP successor arrangements and the country programming process; a slowdown in UNDP project deliveries; and the late payment of assessed contributions by Member States, which had forced the Organization to maintain a higher vacancy factor than normal in its regular budget. At its recent session the Administrative Committee on Coordination had expressed concern that the decline in the value of UNDP project approvals and the indications of reduced levels of official development assistance would mean an erosion of the capacity of agencies to assist developing countries and to improve the quality of their activities. Prompt measures were needed to remedy that situation.

16. Notwithstanding those unfavourable developments, evaluation findings showed that the overall quality of projects implemented by UNIDO in 1991 had remained high. A cost measurement study on

the UNDP successor arrangements for agency support cost, on which he had reported to the Board in document IDB.10/7, showed UNIDO to be the most cost-effective of the European-based agencies, particularly in the field of procurement.

17. The Organization had achieved an impressive gain in the value of industrial investments which it promoted, from $700 million worth of projects in 1990 to some $890 million in 1991. In the first eight months of 1992 the value of investment projects promoted by UNIDO had risen to some $1 billion, not counting the $292 million worth of projects promoted by the Industrial Cooperation Centre in Moscow between January and September 1992 and the $1.4 billion worth promoted in the highly successful investment and business forum for north-west China co-sponsored by UNIDO in September 1991. An equally successful forum in Warsaw and an investment meeting in Madrid had been held in October 1992 and investment meetings were scheduled for Madagascar, Nepal and the Andean countries in November 1992. Similar meetings were under preparation for Namibia, Cuba, Barbados and Trinidad and Tobago. UNIDO would co-sponsor a major trade and investment conference in Vienna for the countries of the Commonwealth of Independent States, also in November 1992. The European Bank for Reconstruction and Development had concluded its first cooperation agreement with UNIDO, involving a loan to a Polish plant.

18. Investment Promotion Services offices had been set up in Athens and Lisbon, and negotiations were in progress for their establishment in Bahrain, India, Iran, Saudi Arabia, Spain, Turkey and Romania. The Organization recently had concluded a trust-fund agreement with the United Kingdom for the establishment of an office at UNIDO Headquarters designed to promote industrial cooperation between British firms and entrepreneurs in central and eastern Europe.

19. Steps to strengthen the institutional machinery of the Secretariat and reform its management procedures continued apace. As part of the process, organizational changes aimed at reducing duplication of functions and improving internal coordination had been introduced. They established clearer terms of reference for the organizational units concerned, placing particular emphasis on improved programme and project quality, closer teamwork, increased mobilization of financial resources, improved capabilities for technology development and promotion and strengthened staff development and training functions.

20. In order to simplify internal procedures, he had recently issued a bulletin (UNIDO/DG/B.18/Rev.1) which provided a clear and updated framework for the implementation of Articles 16 and 17 of the Constitution in so far as they related to projects financed from trust funds, special-purpose contributions to the Industrial Development Fund or the regular budget. Another bulletin (UNIDO/DG/B.73/Rev.1) laid down administrative instructions for the development, appraisal, approval and implementation of special trust fund projects. Two other bulletins, on the integrated programme approach and revised procedures for UNIDO-administered funds, would be issued shortly. Improved organizational performance and more efficient machinery for delivering high-quality services to Member States were the key to the mobilization of financial resources for the Organization. In that context, he was gratified at the success of the periodical meetings which took place between Industrial Development Fund donors and the Secretariat.

21. Mobilization of resources assumed added importance in the light of the Organization's difficult financial situation. At the end of October 1992 the total cumulative amount of outstanding contributions had been more than $53.7 million, or some 48 per cent of the 1992 assessment, with 115 Member States having yet to pay their contributions in full. At present 40 Member States, two of which were members of the Board, had lost the right to vote. In the operational budget the slowdown in technical cooperation delivery had been compounded by the serious delay in the implementation of the UNDP successor arrangements and the decline in the value of the dollar in relation to the Austrian schilling. As a result, the gap between support cost income and expenditures was expected to reach $5.9 million by the end of 1992, and the operational budget reserves might be fully utilized before the end of 1993, although the situation could change for the better as progress was made in negotiations on environmental programmes and projects with the Global Environment Facility and the Interim Multilateral Fund for the Implementation of the Montreal Protocol, and on procurement services with the World Bank. The circumstances described had compelled the Secretariat to restrict recruitment and hold back approved appropriations. By the end of October 1992 the vacancy factor for the Professional category had risen to 14.8 per cent in posts financed from the regular budget and 24.7 in posts financed from the operational budget. While offering temporary relief, the measures taken to cope with the financial crisis had eroded the capacity of the Organization to carry out its approved programme of work for the biennium. The only way out of its present financial predicament was for Member States to pay their assessed contributions promptly and in full. For its part the Secretariat must continue to take the measures necessary to keep expenditure in line with expected income.

22. One vital programme that was in financial difficulty was the UNIDO Country Director programme. As indicated in the report on the subject (IDB.10/34), UNDP had allocated the programme an indicative funding level of about $19 million for the period 1992-1996, an amount insufficient to maintain the current level of posts financed by UNDP throughout the next programming cycle. If no additional financial resources were found for the programme, UNIDO would be forced to reduce the current number of 26 UNIDO Country Director offices funded by UNDP by almost half. That stood in marked contrast to conclusion 92/13 adopted by the Programme and Budget Committee (IDB.10/14, para. 30) and the recommendation therein reaffirming the target of 50 UCD posts (paragraph (b)(iii). In compliance with Board decision IDB.8/Dec.14 UNIDO had entered into consultations with UNDP, in the course of which it had become clear that the Industrial Development Board should invite the Governing Council of UNDP to consider approving an increase in the annual allocation for the UNIDO Country Director programme so as to permit the maximum number of Country Director posts to be maintained. Pending such a decision, the Board should invite the Governing Council to consider authorizing the Administrator of UNDP, as an interim measure, to adjust the yearly allocation

within the total resources approved for sectoral support so as to allow UNIDO to maintain the current number of posts for the years 1992 and 1993.

23. On the key issue of UNIDO's organizational and staff structure, Member States had repeatedly stated the need for UNIDO to reform if it was to remain competitive in a rapidly changing world. They had yet, however, to translate those declarations into concrete decisions. The Organization could not be expected to continue functioning effectively in a prolonged period of uncertainty, and in his view, the present session of the Board provided the last opportunity to take the necessary decisions. Furthermore, once the choice of the new Director-General was known, it would be extremely difficult to reach consensus on the distribution of senior posts in the Secretariat and on its restructuring. In document IDB.10/24, he had therefore recommended that the Board revoke decision IDB.1/Dec.11, in order to give the incoming Director-General a free hand in organizing the Secretariat within a three-department structure. The aim of his proposal was to establish a framework within which more detailed restructuring could be carried out by the next Director-General, while giving Member States the opportunity to consider the long-term reform of the organizational and staff structure of UNIDO in the context of system-wide reforms. He had noted the views of Member States and taken account of the need for continued consultations on the optimum distribution and terms of reference of organizational units within the three-department structure. While he continued to consider one deputy director-general sufficient for UNIDO's needs, his proposal would meet the desire of many Member States for equitable geographical representation at the higher levels of management.

24. Reminding the Board of his decision to resign as Director-General as of 28 February 1993, he said it was essential for the Board to take a clear decision concerning the selection of his successor. Whether it chose to appoint an Acting Director-General or hold early elections, it ought to make its will known. Since he was leaving early in response to an urgent request to return to his country's service, he felt particularly obliged to use the rest of his term to secure the future of the Organization and stabilize its finances through reform of the organizational and staff structure, coupled with measures to improve the quality of its programmes and projects and strengthen the management of its resources. If UNIDO was to move ahead, not only the Secretariat must continually strive to improve its efficiency, but Member States would also have to provide policy guidance, take clear decisions and set firm priorities. He therefore welcomed the latest efforts by Member States to give guidance on the fundamental objectives and programme priorities of the Organization under the guidance of the Chairman of the Programme and Budget Committee.

25. Referring to doubts about the future of the Organization, he pointed out that UNIDO's problems were no worse than those of other agencies in the United Nations system. It was in fact better placed than many organizations that had had to resort to borrowing in order to pay staff salaries. He had never, in his seven years as Director-General, wavered in his belief that UNIDO would survive and flourish. Indeed, with the goodwill of Member States and the dedication of its staff, it could only look to the future with confidence.

ORGANIZATION OF WORK

26. The PRESIDENT said that, on the basis of the discussions that had taken place at the meeting of heads of delegations prior to the current meeting, it was suggested that informal consultations should be held under his chairmanship with the aim of reaching a consensus on agenda item 16 ("Actions to be taken by the Industrial Development Board following the resignation of the Director-General").

27. It was so agreed.

28. The PRESIDENT suggested that, to achieve economies and ensure the effective utilization of conference-servicing resources, the Board might wish to suspend the quorum requirement laid down in rule 32 of the rules of procedure, as it had done at previous sessions. Under rule 80 of the rules of procedure, that decision could take effect immediately, without the prescribed 24 hours' notice, if no member objected. If he heard no objection, he would take it that the Board wished to suspend, for its tenth session only, and with immediate effect, rule 32 of the rules of procedure on the understanding that the measure would apply only to meetings at which no substantive decision was to be taken.

29. It was so decided.

30. The PRESIDENT reminded the Board of the recommendations for the conduct of business and rationalization of proceedings made by the Board at its fifth session in decision IDB.5/Dec.46.

ACTIONS TO BE TAKEN BY THE INDUSTRIAL DEVELOPMENT BOARD FOLLOWING THE RESIGNATION OF THE DIRECTOR-GENERAL

31. The PRESIDENT invited the representative of Denmark to introduce the item, which had been proposed by his Government, on the understanding that the discussion of that item would then be suspended in the Board to allow time for the informal consultations.

32. Mr. LØNSMANN POULSEN (Observer for Denmark) said that, in view of the Director-General's letter of resignation, UNIDO obviously needed clarification on how to deal with the succession. The formulation of the agenda item did not prejudge the ultimate decision. The Board might opt to appoint an Acting Director-General, or it might wish to have a new Director-General in place as soon as possible, which would entail deciding on dates for the submission of nominations and the calling of special sessions of the Board and the General Conference. Either way, a decision had to be taken at the current session.

REPORT OF THE PROGRAMME AND BUDGET COMMITTEE (IDB.10/14)

(a) REPORT OF THE EXTERNAL AUDITOR, FINANCIAL PERFORMANCE REPORT AND PROGRAMME PERFORMANCE REPORT FOR THE BIENNIUM 1990-1991 (IDB.9/10 and Corr.1 and 2; IDB.10/3, 4, 11 and Add.1, IDB.10/25);

(b) USE OF UNUTILIZED BALANCES OF APPROPRIATIONS;

(c) IMPLEMENTATION OF THE RECOMMENDATIONS OF THE EXTERNAL AUDITOR FOR THE FINANCIAL PERIOD 1988-1989 (IDB.10/6/Rev.1, IDB.10/26);

(d) FINANCIAL SITUATION OF UNIDO (IDB.10/9, 27);

(e) APPLICATION OF THE SPLIT-CURRENCY SYSTEM OF ASSESSMENT (PBC.8/11);

(f) OPERATIONAL BUDGET: REIMBURSEMENT FOR PROGRAMME SUPPORT AND ADMINISTRATIVE SERVICES (IDB.10/7, 8);

(g) GUIDELINES AND PROCEDURES GOVERNING ACCEPTANCE AND FUNDING UNDER SPECIAL TRUST FUNDS, INDUSTRIAL DEVELOPMENT FUND AND THE REGULAR BUDGET (IDB.10/10);

(h) MEDIUM-TERM PLAN, 1994-1999 (INCLUDING GENERAL CEILING FOR THE BIENNIUM 1994-1995) (IDB.10/5 and Add.1, IDB.10/29);

(i) INDUSTRIAL DEVELOPMENT FUND AND OTHER VOLUNTARY CONTRIBUTIONS (IDB.9/10, chap. VIII, paras. 14-20 and appendix G; IDB.10/2);

(j) ELECTRONIC DATA-PROCESSING PROGRAMME (IDB.10/30);

(k) FINANCIAL REGULATION 4.1, PARAGRAPHS (d) and (e);

(l) UNIDO COUNTRY DIRECTOR PROGRAMME (IDB.10/34);

33. The PRESIDENT reminded the Board that the debate was expected to cover all of sub-items (a) to (l).

34. Mr. WARNER (Deputy Director-General, Department of Administration) said the documentation on agenda item 4 fell into two separate parts. The first consisted of document IDB.10/14, which contained the report of the Programme and Budget Committee on its eighth session including the Committee's conclusions.

35. The second part concerned items discussed by the Programme and Budget Committee which required follow-up by the Secretariat. Documents IDB.10/25 and IDB.10/26 related to the implementation of the External Auditor's recommendations for 1988-1989 and 1990-1991. The former contained a report by the Director-General on steps taken by the Secretariat to implement those recommendations and included the proposal to redirect the emphasis of budgetary control by policy-making organs from major objects of expenditure to major programmes. If accepted, the proposal would move UNIDO closer to the programme approach for budgetary implementation envisaged in the new-format programme and budgets introduced for the 1992-1993 biennium. Regarding the other issues outlined in the report, it would be noted that there was a positive response to the valuable recommendations by the External Auditor. Document IDB.10/26 reported on the review of the staff rules dealing with official travel.

36. The financial situation of UNIDO was reported on in document IDB.10/27, which contained status reports on assessed contributions, cash-flow analysis, regular budget performance reports and the operational budget status report. The financial situation of the Organization remained critical, despite an improved collection rate in recent years and a partial replenishment of the Working Capital Fund. Although UNIDO expected to have sufficient funds in the regular budget to cover expenditures for the remainder of 1992, it continued to operate on a hand-to-mouth basis. The continuing delay and non-payment by some Member States of assessed contributions in 1992 had delayed implementation of approved regular budget activities. Furthermore, the Organization had been obliged to hold back current appropriations and maintain a vacancy factor for Professional posts far in excess of budgeted levels. The regular budget financial outlook for 1993 was still uncertain, and unless more States paid their assessed contributions, a financial default in the latter part of 1993 could not be ruled out.

37. The operational budget remained in crisis largely owing to UNDP's delay in implementing the successor arrangements. The Secretariat's efforts to reduce expenditure in order to offset falling income would continue in 1993 until the Organization achieved a stabilized operational budget. Despite measurable progress, even more stringent steps now had to be taken. The Secretariat was entering on the most difficult part of the stabilization process, in which it was guided by PBC conclusion 92/5.

38. UNIDO's ability to achieve stabilization in the operational budget depended to some extent on exchange rates and levels of technical assistance delivery. It was making every effort to develop new business in order to offset its diminishing activities for UNDP. Decisions on the utilization of resources took account of the need to maintain sufficient capacity to deliver programmes, while paying due regard to growing financial limitations.

39. With regard to the electronic data-processing programme, document IDB.10/30 provided financial and programme information on the implementation of the recommendations of the consultants and external auditors. Regular briefings had been held for Member States throughout 1992 and would continue.

40. In PBC conclusion 92/13, paragraph (b)(vi), the Director-General had been requested to submit a comprehensive financial report at the eleventh session of the Board on the UNIDO Country Director (UCD) programme. However, following his consultations with UNDP on the critical situation of the funding for UCD offices in 1992 and 1993, the Director-General had recognized the immediate need to submit an interim report for consideration at the present session. That report (IDB.10/34) outlined the present financial situation of the UCD programme with particular reference to the UCDs financed from the sectoral support funds of UNDP. As it stated, the Organization was faced with an immediate reduction in the number of UCD offices, with consequent non-extension of contracts.

41. The report of the Director-General to the Board at its eleventh session would include information on UNIDO's future field representation in the light of the results of the review on sectoral support undertaken by UNDP in 1993. That review would also consider the plans of the Secretary-General and the discussion initiated in the Economic and Social Council in June 1992 on the establishment of a unified system of field representation. Document IDB.10/34 called for a decision by the Board for communication to the UNDP Governing Council at its February 1993

meeting. Whatever decisions the Board took at the present session were likely to have far-reaching effects on the future of the UNIDO Country Director programme.

42. Mr. CLARK (United Kingdom), speaking as Chairman of the Programme and Budget Committee, introduced his report (IDB.10/29), on the informal consultations he had conducted, in compliance with PBC conclusion 92/10, to study the relative priorities within the medium-term plan activities. A number of significant changes had taken place in the world since the initial adoption of the plan. Matters had evolved further since the Committee's meeting in early July, with the announcement by the Director-General that he would be resigning in March 1993 and the continuing deterioration in the Organization's financial prospects. The Director-General's proposals for the restructuring of the Organization were intended, in part, to take account of the financial situation. In the consultations, it had been agreed that the Organization should consider its priorities ab initio, and he had presented a short paper setting out its objectives as he saw them. Chapter I of document IDB.10/29 summarized the discussion in the Committee. Chapter II contained his discussion paper, as revised following the informal consultations. Document IDB.10/29 also contained, as an annex, a statement by Mr. Adekanye (Nigeria), Chairman of the Group of 77.

43. Mr. GUTIERREZ (Chile) reminded the Board that some two-and-a-half years previously, his delegation had expressed its doubts about the manner in which UNIDO was being administered. The criticisms voiced at that time, which were wholly impartial, were now being echoed by many others. The Latin American and Caribbean Group was still committed to strengthening UNIDO and was unstinting in its efforts to that end, although the assistance its region received from the Organization was derisory in comparison with that received by other regions.

44. The crisis in UNIDO was a structural phenomenon, not a temporary difficulty. The root causes of the crisis must now be faced, and the lessons of the past must be drawn. UNIDO was now bearing the accumulated burden of its own lack of credibility, and had moreover to cope with a change of Director-General. His delegation endorsed the recommendations in the report of the Programme and Budget Committee (IDB.10/14) especially those contained in the report of the External Auditors. For some time, his delegation had been anxious for an overhaul of the tendering system in force in the Organization. It was no surprise that the External Auditor had noted irregularities, since the system was so deficient as to permit conduct which would be considered criminal in most Member States. The system must be reviewed in depth in the near future, with a view to introducing new financial rules and adapting existing ones. He regretted the delay in completing and submitting to the Board the manual of administrative policies and procedures of the Organization; UNIDO's operations would be improved if it had an effective internal audit system. He hoped it would be possible to achieve significant savings on official travel, in the light of the Organization's present critical financial situation. Of crucial importance was the prioritization of themes within the medium-term plan, and he was grateful for the work done on those lines by the Chairman of the Programme and Budget Committee. However, he did not endorse the Secretariat's proposal for changes to be made to the budget, so as to give policy-making organs tighter control on the basis of programme component rather than major objects of expenditure. The proposed changes appeared to be merely a matter of wording: the same budget presentation would be preserved, but the departments and divisions of UNIDO would be called programmes. What the External Auditor had recommended was an actual budget presentation based on substantive programmes.

45. Mr. CLARK (United Kingdom), speaking on behalf of the European Community and its member States, said that the Director-General's report on the financial situation of UNIDO (IDB.10/27) dramatically illustrated the crisis faced by the Organization. The non-payment of assessed contributions by Member States and the shortfall in the predicted income from the UNDP support costs arrangements, together with unfavourable exchange-rate fluctuations, had brought both the regular and the operational budgets to a critical state. The Director-General had already had to make some difficult choices in deciding how to curtail spending, and Member States, especially those which were members of the policy-making organs, had a duty to guide him in his task.

46. He noted the alarmingly high vacancy rate in the Organization, pointing out that further emergency remedial measures would probably be required in order to balance the operational budget by the end of 1993. Referring to the report by the Director-General (IDB.10/27) he asked for further information on certain points: first, a breakdown by department of vacant posts, against the forecast used as the basis for the 1992-1993 programme and budget; second, any redeployment which had taken place to fill higher priority posts; third, the policy of the Director-General for reducing staff by natural attrition or staff separation; and finally, details of any additional measures so far taken to balance the operational budget in line with PBC conclusion 92/5, and the future "judicious" expenditure reductions contemplated by the Director-General in his report.

47. With regard to the regular budget, he would have welcomed an indication, in annex IV to document IDB.10/27, of the departments most affected by the vacancy rate. Noting that the United States had made a sizeable contribution to UNIDO in recent weeks, he asked what the Director-General's priorities were for using that money. He appealed to Member States in arrears to pay their debts at once and in full. Noting that programme allotments had been restricted to 88 per cent of approved budgetary estimates, he wondered how that limit squared with the statutory reserve of 15 per cent.

48. As for the operational budget, he regretted the high vacancy rate among Professional posts, due chiefly to the serious delay in the introduction of the new UNDP successor costs regime in New York. European Community missions in Vienna had recently drawn the attention of their Governments to the serious budgetary implications for UNIDO of the delay, suggesting that the matter be taken up in New York. They were also concerned at the Director-General's estimate of a $6 million deficit in the balance of reserves for operational activities. The actual

total deficit in the operational budget for 1992 was likely to be higher. Member States had recently learned from the Secretariat that the support costs system would not be operational until 1993; hence the Secretariat would have no proper basis on which to make provisional estimates for operational activities in 1993, or for the 1994-1995 draft biennium programme and budget exercise.

49. As the "Four Experts" had pointed out over three years before, there was a mismatch in UNIDO between programme ambitions and actual resources. To avoid spreading the Organization's resources too thinly, and to ensure that its activities had a lasting impact in its recipient Member States, it was necessary to ensure that the resources required for each programme and subprogramme produce genuine results, not merely symbolic gestures. The Secretariat should also state which of the problems in the industrial development process it thought UNIDO ought to tackle first when resources were scarce. The policy-making organs might then be able to decide on the Organization's future role.

50. With reference to agenda item 4 (a), he voiced support for the recommendation to amend the financial regulations of the Organization as proposed in paragraphs 10 and 11 of document IDB.10/25, subject to receiving the External Auditor's comments on the proposed amendments before a final decision was taken by the General Conference.

51. Regarding item 4 (c), he welcomed the Director-General's assurance that efforts were being made to maximize economies and noted that the question of travel standards within the United Nations common system was soon to be discussed by CCAQ and the General Assembly.

52. Concerning agenda item 4 (j), he thanked the Secretariat for its briefing to Member States 10 days previously. With reference to document IDB.10/30, he enquired whether the provision of PCs to staff throughout the Organization would result in savings through reductions in General Service staff support costs, especially as the General Service staff vacancy rate of 6.6 per cent in the operational budget was out of proportion to the number of Professional vacancies.

53. Finally, with reference to agenda item 4 (l), he hoped that the UNDP Governing Council would reconsider the allocation for UCDs in the UNDP fifth programming cycle, taking into account the importance of the programme and the fact that the integration of the UCDs in the offices of the UNDP Resident Representatives was a model for cooperation and coordination within the United Nations system.

54. Mr. CHEN Shiqiu (China) welcomed the work done by the Chairman of the Programme and Budget Committee to prioritize certain areas of the Organization's activities under the medium-term plan. The three informal consultations held had proved most useful. UNIDO continued to play a very important role in assisting developing countries to develop their industrial technologies and their human resources. However, in the present situation of reduced resources and falling income from UNDP, the Organization must focus on those areas in which it had most expertise and experience. It was the duty of Member States to help the Secretariat select priority areas, and the consultations conducted by the Chairman of the Programme and Budget Committee would help to achieve a common understanding. His delegation agreed with the five priorities identified in the Chairman's report (IDB.10/29). It attached special importance to industrial investment promotion, in which UNIDO had considerable experience, and which played a key role in introducing capital into developing countries. UNIDO had participated in the recent "investment for business" forum held in China, and he welcomed the effective contribution of its Investment Promotion Division. He hoped UNIDO would continue its endeavours in that field.

The meeting rose at noon.